GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4125
ANSWERED ON:18.05.2006
SUBSIDY BURDEN ON OIL PSUs
Bhagora Shri Mahavir;Bhakta Shri Manoranjan;Murmu Shri Hemlal;Patil Shri Balasaheb Vikhe;Patil Shri Shriniwas Dadasaheb;Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal;Thakkar Smt. Jayaben B.

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether public sector oil marketing companies are suffering huge losses due to subsidy on petroleum products;

(b) if so, the details alongwith the total loss suffered as a result thereof during each of the last three years, company-wise; and

(c) the steps taken by the Government in this regard without hurting the interest of consumers ?

Answer

MINISTER OF STATE IN THE MINISTRY O`F PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a): The profits of public sector Oil Marketing Comparaes(OMCs) viz. Indian Oil Corporation Ltd.(IOCL), Bharat Petroleum Corporation Ltd. (BPCL), Hindustan Petroleum Corporation Ltd. (HPCL) and IBP Co. Ltd. have declined substantially due to subsidy on petroleum products. However, these companies would have incurred heavy losses but for the subsidy sharing mechanism implemented by the Government by which the subsidies are shared by tlse upstream companies and the Government.

The profit after tax reported by IOCL, BPCL, HPCL and IBP Co. Ltd. for the financial years 2003-04, 2004-05 and for tbe period April-Dec`05 is tabulated below; Â¦

(Rs. in crore)

Name of Oil Company	2003-04	2004-05	Aprii-Dec`05
IOCL	7005	4891	890
BPCL	1694	966	(1659)
HPCL	1904	1277	(1608)
IBP Co.	215	59	(521)

(c):
The following steps have been taken by the Government in this regard without hurting the interest of consumers: too

#Roll back in excise duty on petrol from 26% to 23% and on diesel from 11% to 8% from 19.8.2004 coupled with reduction in the customs duty on petrol and diesel from 20% to 15%. Similarly, excise duty on PDS kerosene was scaled down from 16% to 12% and customs duty on LPG and Kerosene from 10% to 5%.

#Customs and excise duty on PDS Kerosene and LPG packed domestic has been made nil from 1.3.2005. This has been done to reduce the under recoveries of oil companies on these products, ;,.

#The customs duty on petrol and diesel has been reduced from 15% to 10%. The customs duty on ATF, FO (for general use), LSHS (for general use) and Bitumen has been reduced from 20% to 10% from 1.3.2005. Simultaneously, the customs duty on crude has been reduced from 10% to 5%. The excise duty on petrol has been revised from 23% plus Rs.7.50 per litre to 8% plus Rs.13.00 per litre and on diesel from 8% plus Rs.1.50 per litre to 8% plus Rs.3.25 per litre.

#Sharing of losses of the OMC`s on domestic LPG and PDS kerosene with the upstream companies namely GNGC, Oil and GAIL.

#In the Union Budget 2006-07, the Government categorised domestic LPG as `declared goods` under Sales Tax Act. This will reduce the sales tax/VAT levied by States to 4%. This is also expected to marginally reduce the under- recoveries of oil marketing companies without increasing retail selling prices of domestic LPG.

#In view of losses/under-recoveries suffered by Oil Marketing Companies (OMCs) in marketing LPG (domestic) and PDS Kerosene, during the financial year 2005-06, the Government has issued Bonds worth Rs. 11,500 crores to OMCs.